DOCUMENT RESUME

ED 296 450 EA 020 102

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TITLE The Crisis in Oregon School Finance: Implications for Future Funding of Elementary and Secondary Education.
PUB DATE Mar 88
NOTE 30p.; Paper presented at the Annual Meeting of the American Education Finance Association (Tampa, FL, March 17-20, 1988).
PUB TYPE Reports - Descriptive (141) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Educational Equity (Finance); *Educational Finance; Elementary Secondary Education; *Finance Reform; Property Taxes; *Public Support; *School Taxes; *Tax Effort
IDENTIFIERS *Oregon

ABSTRACT

Is there a crisis in Oregon school finance? Before policymakers can formulate answers, assessment and definition of the problem are necessary. This paper examines the current state of Oregon school finance, including reform efforts over the last 20 years from policy and grass roots level perspectives. It then assesses the current school funding system and analyzes two reform proposals. Reform efforts since 1968 have involved voter-initiated property tax limitation measures defeated at the ballot box. Oregonians have demonstrated a willingness to finance public elementary and secondary education, evidenced by above-average per pupil expenditures and teacher salaries. However, taxpayer discontent has grown with the increasing local share shouldered since 1980. Calls for a greater state share require exploring revenue enhancement schemes, such as income taxes and the enactment of a state sales tax. In the absence of a sales tax, citizens pay a larger than average income share in state and local taxes, compared to the state average, according to one measure. According to the second measure (total tax capacity and effort), the state is near the national average, showing that any increased or additional taxes would result in an above-average tax burden. Two separate school finance reform proposals developed by the Oregon Education Association and the Association of Oregon Industries differ philosophically, but agree on increasing the state share from 30 to 40 percent. Both proposals fall short of reforming Oregon school finance and fail to address certain equity issues. The best policy goal seems to be shifting tax burdens more equitably between property and income taxpayers and implementing a fairer distribution of state education grants. Included are 4 figures and 20 references. (MLH)

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THE CRISIS IN OREGON SCHOOL FINANCE: IMPLICATIONS FOR FUTURE FUNDING OF ELEMENTARY AND SECONDARY EDUCATION

by

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A paper presented at
The American Education Finance Association Conference
Tampa, Florida
March 1988

EA 020 102

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THE CRISIS IN OREGON SCHOOL FINANCE: IMPLICATIONS FOR FUTURE FUNDING OF ELEMENTARY AND SECONDARY EDUCATION

> "The problem with primary/secondary school finance in Oregon today is not insufficient resources--it is the instability and wide variability in resources and expenditures per students among various districts."
>
> (Education in Oregon: The Business View, 1988, p.6)

Introduction

Is there a crisis in Oregon school finance? Do a handful of school closings over the past few years constitute a crisis or simply a political embarrassment to a new governor whose primary agenda is economic development and attraction of new industry to the state? If a crisis exists, is it fiscal in nature or is it a crisis of confidence on the part of taxpayers who are perplexed by yearly requests by schools for additional money for the "basics" when Oregon schools already rank among some of the highest in the nation in per pupil expenditures? There are no easy answers as economics and politics often make for incompatible partners. However, before policymakers can formulate realistic solutions, assessment and definition of the problems are necessary. The purpose of this paper is to begin that process through an examination of the current state of affairs of Oregon school finance, including discussion of previous reform efforts over the last twenty years, both from a

policy level perspective and grass roots level; an assessment of the current school funding system; and, finally, an analysis of two reform proposals presently being circulated, one from the business sector and the other from the educational community.

Statewide Reform Efforts: Past and Present

For a non-school-finance-reform state, Oregon has not lacked initiatives over the past twenty years. Since 1968, fifteen separate ballot measures which would impact school finance have been placed on the ballot and rejected by voters. These measures have included the addition of a state sales tax, corporate and personal income tax rate increases, property tax limitation, property tax equalization, elimination of local property taxes, adjustments to the property tax base, safety net provisions, and a comprehensive school finance reform package. (See Table 1.)

Of these initiatives, over one-third were property tax limitation measures while only one, the McCall Plan, represented a comprehensive school finance package. The McCall plan advocated nearly full state funding, with the state share set at ninety percent of educational expenditures. This dramatic increase was to be achieved through substantial tax reform, coupling increased tax rates, primarily on personal and corporate income, with limits on school property tax levies. At the same time, local control of educational program and instructional

decisions was to be preserved. (Rose, 1987)

In addition to ballot measures, numerous proposals have been put forward to legislators and policymakers during this period, including a 1968 Business Task Force on Education appointed by Executive Order, a 1972 full state funding proposal set forth by then state superintendent of schools Parnell, and a 1974 report commissioned by the Legislative Committee on Equal Educational Opportunity, advocating a guaranteed yield formula. (For summaries of the abovementioned proposals, see Rose (1987) and Pierce et al. (1975).)

Partly in response to school closings and the ensuing publicity, the 1987 legislature submitted a constitutional "school safety net" amendment to Oregon voters in a May special election with the measure passing by fifty-five percent, to become the first constitutional school finance measure to pass in thirty-seven years. (Senate Joint Resolution 3, 1987) This amendment guarantees that if local voters defeat an increased levy request, the school district may levy property taxes for operating expenditures up to the amount levied in the prior year. The safety net became effective for the 1987-1988 school year, and 12.5%, or 38 of 304 school districts, have fallen into the safety net. However, the amendment does not address fiscal equity issues, such as redistribution. (Safety Net--The First Year, 1988.)

TABLE 1

School Finance Reform Ballot Measures

Measure	Date	V/L*	Balloting	
Property Tax Limitation	November 1968	V	276,451 503,443	Yes No
Sales Tax	June 1969	L	65,077 504,274	Yes No
School Property Tax Equalization	May 1970	V	180,602 405,437	Yes No
New Property Tax Bases for Schools	November 1970	V	223,735 405,437	Yes No
Prohibition of Use of Property Taxes for Schools	November 1972	V	342,885 558,136	Yes No
School Tax System Reform ("McCall Plan")	May 1973	L	253,682 358,219	Yes No
Income and Corporate Tax Increase for Schools	May 1974	L	136,851 410,733	Yes No
School Operating Levy Measure ("Safety Net")	May 1977	L	112,570 252,061	Yes No
Property Tax Limitation	November 1978	V	424,029 453,741	Yes No
Property Tax Limitation	November 1978	L	383,532 467,765	Yes No
Property Tax Limitation	November 1980	V	416,029 711,617	Yes No
Tax Base Increase to Include New Construction	November 1982	L	219,034 768,150	Yes No
Property Tax Limitation	November 1982	V	504,836 515,626	Yes No
Property Tax Limitation	November 1984	V	599,424 616,252	Yes No
Sales Tax	September 1985	L	189.733 664.365	Yes No

* V = Voter Initiated; L = Referred by Legislature
Source: Oregon Department of Education

In July, 1987, on the heels of the passage of Safety Net amendment, House Bill 3379 was signed into law by the governor, creating an eleven member Commission on School Funding Reform. The commission, whose product will be a school funding proposal to be presented to the state legislature, has been charged by the governor with three major goals:

> 1) To reduce reliance on local property taxes through increasing state support and improving schools' cost-effectiveness;
> 2) To provide stable, consistent, and adequate funding for education;
> 3) To promote equal educational opportunity for students and taxpayer equity. (Oregon Revised Statutes, 1987)

The final report will be submitted to the governor by September 1, 1988.

After appointing the commission, the governor gave members a more specific charge, that included the above goals and added the following:

> 4) To establish a state policy with regard to services and funding of high cost students, such as special education, bilingual, talented and gifted;
> 5) To develop understandable and acceptable school finance materials for citizens. (Governor's Charge to Commission on School Finance Funding, 1987)

In addition to the commission, four task forces have been appointed to carry out the actual analysis and to present results to the commission. These task forces are as follows: 1) Resources and Funding; 2) Costs and Benefits; 3) Special Programs; and 4) Tax Equity. In size, they range from thirty-three to thirty-eight members.

Task Force I's assignment includes developing proposals for goals one and two with the exclusion of cost-effectiveness. Task Force II's assignment focuses on cost-effectiveness. Task Force III will develop proposals with regard to the fourth goal while Task Force IV will focus on the third goal.

Most school finance reform efforts are top-down in nature, initiated at the state policy level, either through governors, legislators, or their appointed task forces and blue ribbon commissions. However, Oregon has a strong tradition of grass-roots level involvement in the political arena as evidenced by the number of voter initiatives placed on the ballot for school finance reform over the past twenty years. In keeping with that tradition, two recent projects, aimed at greater citizen involvement in the reform of school finance funding, have taken place.

In 1986, the first, titled "SOS," (Seeking Oregon's Solution), was initiated by the state superintendent of public instruction to provide information to citizens regarding the state school finance system and to offer them an opportunity to express opinions as to how schools should be financed. Opinions were sought via two questionnaires and town meetings or public hearings, but no effort was given to trying to reach consensus.

The second effort, the SCHOOLS Project (Statewide

Citizens Helping Operate Oregon Schools), currently being undertaken by the state League of Women Voters, is the first of its kind nationwide in that it is a nonpartisan attempt to: 1) educate a broad spectrum of citizens on the complexities of school finance and funding problems; and 2) gain consensus on solutions to the funding problems. (Oregon School Finance: A League of Women Voters of Oregon Education Fund Publication, 1987) Public forums or "town hall meetings" were held around the state in fall of last year to provide educational materials and discussion of the current finance system. Structured discussion allowed participants to brainstorm regarding potential solutions. Participants will be gathered again in spring 1988 to discuss statewide results, with the goal being to reach consensus on alternatives. The outcomes of this second round of meetings will be presented to the governor and legislature. As achieving consensus has been a major problem historically for reform efforts in Oregon, certainly the League approach has nothing to lose. In fact, the League has long enjoyed a national reputation of nonpartisanship, with their primary mission being voter education. Unlike the SOS effort, the League is removed from suspicion of a particular agenda.

Oregon School Finance: Current Status

Oregon's Basic School Support Fund (BSSF), which

provides the bulk of state assistance to local school districts, was the product of an initiative petition approved by voters in 1946. Subsequent legislatures have made numerous changes in the manner the BSSF is appropriated and distributed with the most recent major change taking place in 1981. At that time the legislature required transportation to become a "prior claim" on the fund with the remainder to be split so that seventy percent is allocated to basic aid, including growth and decline factors, and thirty-percent is devoted to equalization of the basic grant. Figure 1 and Table 2 summarize the percentages and amounts allocated to each grant program in the BSSF for the 1987-1988 school year.

Each grant is, in reality, a cost reimbursement program. The basic grant or "Approved Program Cost" represents the largest share or 61.9% of the BSSF and is a modified foundation level grant, currently standing at $2,900 per pupil, based on average daily membership of the prior school year. The phrase, " approved program" as defined in state administrative rule, covers most normal operating expenditures, but excludes transportation, food service, cocurricular activities, community services, capital outlay, debt service, and expenses for nonresident students. (Apportionment of the Basic School Support Fund, 1987) There is no minimum effort provision; all 304 school districts receive approximately twenty-five percent

of their approved program cost up to $725 per pupil maximum: that is, a school that selects to spend, for example, $3500 per pupil in approved program costs would still receive $725 per pupil. Since most school districts spend above the approved program cost, the basic grant has, in essence, become a flat grant.

Growth and decline factors reflect adjustments to the basic grant to compensate districts for the costs associated with increasing and decreasing enrollments that are not captured in a straight per pupil reimbursement. These grants account for only .9% of the BSSF or $4.7 million.

The transportation allocation of $49.4 million represents sixty percent of transportation costs two years prior. This amount is then divided by the prior years transportation cost to produce a state support ratio. In 1986-1987, this ratio was fifty-eight percent. School districts are then reimbursed for prior year transportation expenses at this rate.

In an effort to compensate school districts with relatively low property wealth, the state will distribute equalization grants amounting to $133.9 million this school year. The formula is complex as it attempts to take into consideration differences in total resources of school districts, including such sources as timber revenues. The equalization formula is as follows:

Approved Program Cost	-	State Basic Grant	-	Other District Revenues	Equalization Rate X Adjusted Assessed Valuation	=	Equalization Grant

"Other District Revenues" refer to such revenue sources as federal forest fees. It is also important to note that "Adjusted Assessed Valuation" takes into consideration the computed value of the Western Oregon Severance Tax offset and the type of school district whether elementary, high school or unified (K-12). Timber severance taxes replace local property taxes on private timber value while property taxes still apply to private forest land. For each school district, an "Equalization Rate" is computed that, to a great extent, determines the size of its equalization grant. This formula is as follows:

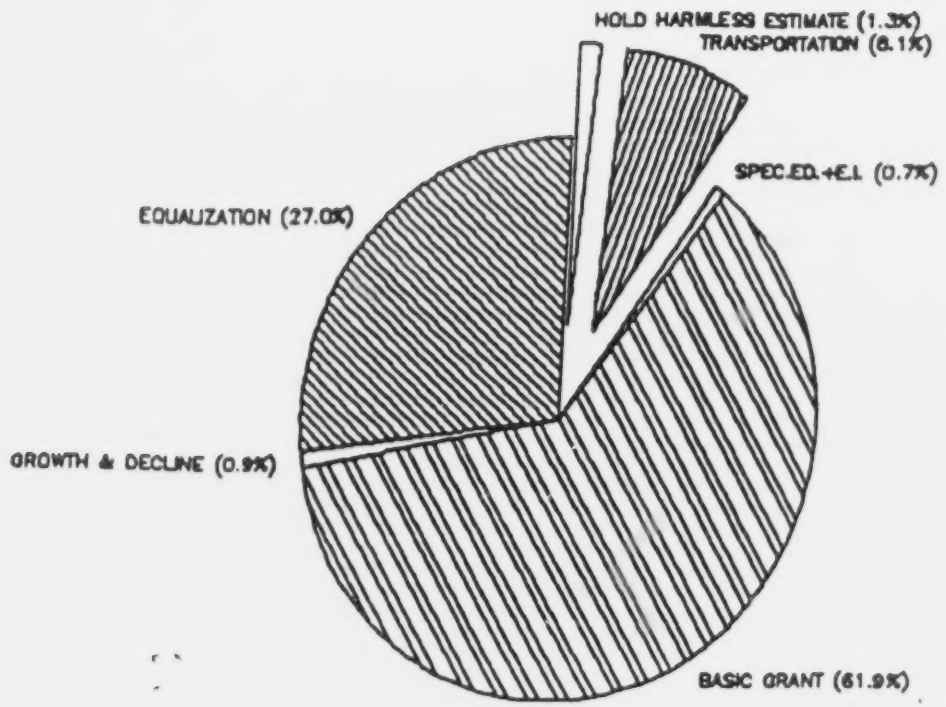
$$\frac{\text{Approved Program Cost}}{100} \times \text{Uniform Rate} = \text{District Equalization Rate}$$

The "Uniform Rate," derived by working backwards from the amount of money allocated to equalization, $139.9 million, represents the highest uniform millage rate per $100 of approved program cost that will distribute all equalization dollars. In 1986-1987, the uniform rate was .000034002.

FIGURE 1

Breakdown of Basic School Support Fund Appropriation (BSSF)

1987-1988



Source: Oregon Department of Education,
Division of School Finance

TABLE 2

Basic School Support Fund Appropriation

1987-1988

Grant Program	Dollars (in millions)
Basic Grant (Approved Program Cost)	307.7
Equalization	133.9
Growth and Decline Factors	4.7
Hold Harmless Estimate	6.6
Transportation	40.4
Special Education and Early Intervention	3.5
Total Appropriation	496.8

Source: Oregon Department of Education, Division of School Finance

Oregon schools rank fourteenth in the nation in per pupil expenditures, $4,383, well above the national average of $3,983. Class size is close to the national average of 16.46; here Oregon also ranks fourteenth, but much closer to the mean. Instructional salaries are competitive, ranking slightly above the nationwide mean of $27,711. Given the fact that Oregon ranks below the national average in per capita income, above average teacher salaries would seem to indicate strong citizen support of education. Table 3 summarizes this information.

The state of Oregon has a long tradition of strong local fiscal support of local schools, or considered from a slightly different point of view, a tradition of rather weak state support. Looking as far back as thirty years ago when

TABLE 3

Oregon School Rankings

1986-1987

	Rank	State Average	U.S. Average
Expenditure Per Pupil	14	$4,383	$3,983
Pupils Per Teacher	17	16.87	16.46
Average Teacher Salary	21	$26,690	$26,551
Average Instructional Salary	22	$27,810	$27,711
Percent Local Revenues	4	66.65%	43.58%
Percent State Revenues	48	27.13%	50.14%
Percent Federal Revenues	26	6.21%	6.28%

Source: NEA Estimates of School Statistics, 1987.

the current funding formula was enacted, the state share has never exceed 40.5%, reached in 1952. Over the last decade, state support has fluctuated between 29.4% in 1987 and 39.7% in 1980. However, since 1980, the state share has steadily declined although the number of dollars appropriated to the Basic School Support Fund has increased yearly. (See Table 4.)

One possible explanation for the declining local share may rest with the phasing out of a 1978 property tax relief measure that returned to property owners thirty-percent of their bill annually. School district officials, realizing the marketing potential of this measure, were successful in passing increased levies based on the premise that each new dollar of property tax only cost property taxpayers seventy cents. The property tax relief measure was short-lived as

TABLE 4

The History of Basic School Support in Oregon

Year	Current Operating Expenditures (COP)*	Percent Change (%)	Basic Support (BSSF)	Percent Change (%)	BSSF as % of COP
1948	43,513		15,946		36.6
1949	51,800	19.0	16,954	6.3	32.7
1950	58,799	13.5	17,349	2.3	29.5
1951	63,213	7.5	18,305	5.5	29.0
1952	72,330	14.4	29,281	60.0	40.5
1953	78,720	8.8	30,683	4.8	39.0
1954	87,691	11.4	32,134	4.7	36.6
1955	94,844	8.2	33,245	3.5	35.1
1956	102,336	7.9	34,809	4.7	34.0
1957	114,016	11.4	36,018	3.5	31.6
1958	122,597	7.5	44,578	23.8	36.4
1959	134,054	9.3	45,514	2.1	34.0
1960	152,022	13.4	51,937	14.1	34.2
1961	161,451	6.2	54,351	4.6	33.7
1962	177,526	10.0	61,038	12.3	34.4
1963	190,419	7.3	64,657	5.9	34.0
1964	208,685	9.6	65,184	0.8	31.2
1965	220,225	5.5	61,167	(6.2)	27.8
1966	239,193	8.6	72,088	17.9	30.1
1967	262,428	9.7	75,898	5.3	28.9
1968	286,729	9.3	77,786	2.5	27.1
1969	325,536	13.5	77,431	(0.5)	23.8
1970	363,633	11.7	88,928	14.8	24.5
1971	398,013	9.5	88,928	0.0	22.3
1972	421,635	5.9	99.428	11.8	23.6
1973	459,210	8.9	104,063	4.7	22.7
1974	505,138	10.0	143,520	37.9	28.4
1975	579,991	14.8	170,789	19.0	29.4
1976	659,718	13.7	200,733	17.5	30.4
1977	716,519	8.9	217,446	8.3	30.3
1978	777,130	8.5	269,000	23.7	34.6
1979	883,324	13.7	341,373	26.9	38.6

*In thousands of dolllars.

Table 4 (continued)

Year	Current Operating Expenditures (COE)*	Percent Change (%)	Basic Support (BSSF)	Percent Change (%)	BSSF as % of COE
1980	993,146	12.4	384,379	12.6	38.7
1981	1,132,706	14.1	406,376	5.7	35.9
1982	1,248,596	10.2	413,960	1.9	33.2
1983	1,306,447	4.6	426,203	3.0	32.6
1984	1,375,778	5.3	431,200	1.2	31.3
1985	1,443,655	4.9	448,800	4.1	31.1
1986	1,536,009	6.4	462,454	3.0	30.1
1987	1,635,186	6.5	481,427	4.1	29.4
1988	NA		496,832	6.0	
1989	NA		526,703		

*In thousands of dollars.

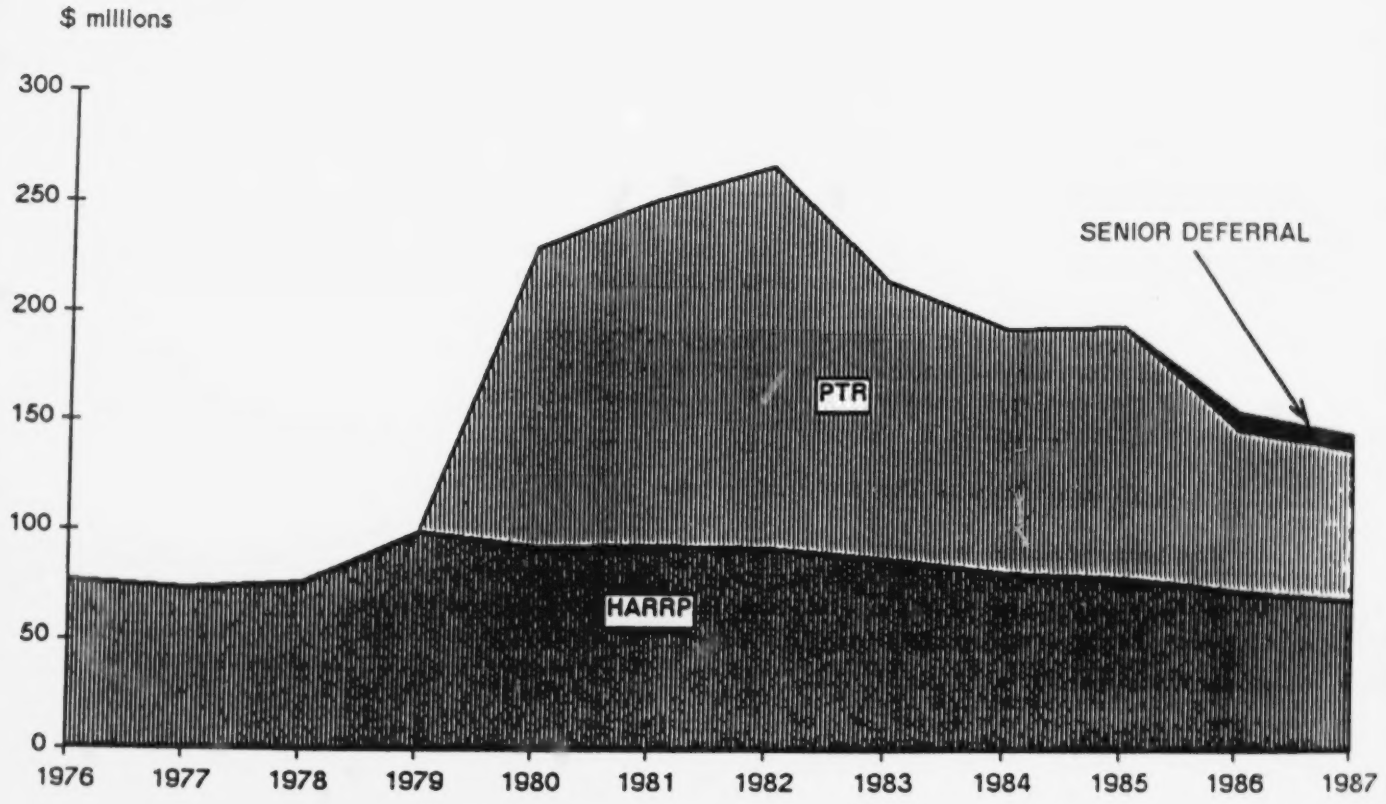
Source: Oregon Department of Education

the state entered an economic recession in 1980; in the following biennium, the measure began to be phased out, and property owners started to feel the bite of increased taxes without having passed additional levies in addition rising level of unemployment. Figure 2 Displays state general fund expenditures for property tax relief over the past decade while Figure 3 displays state general fund expenditures, adjusted for inflation, with the amounts spent on property tax relief.

FIGURE 2

General Fund Expenditures for Property Tax Relief

1976-1987



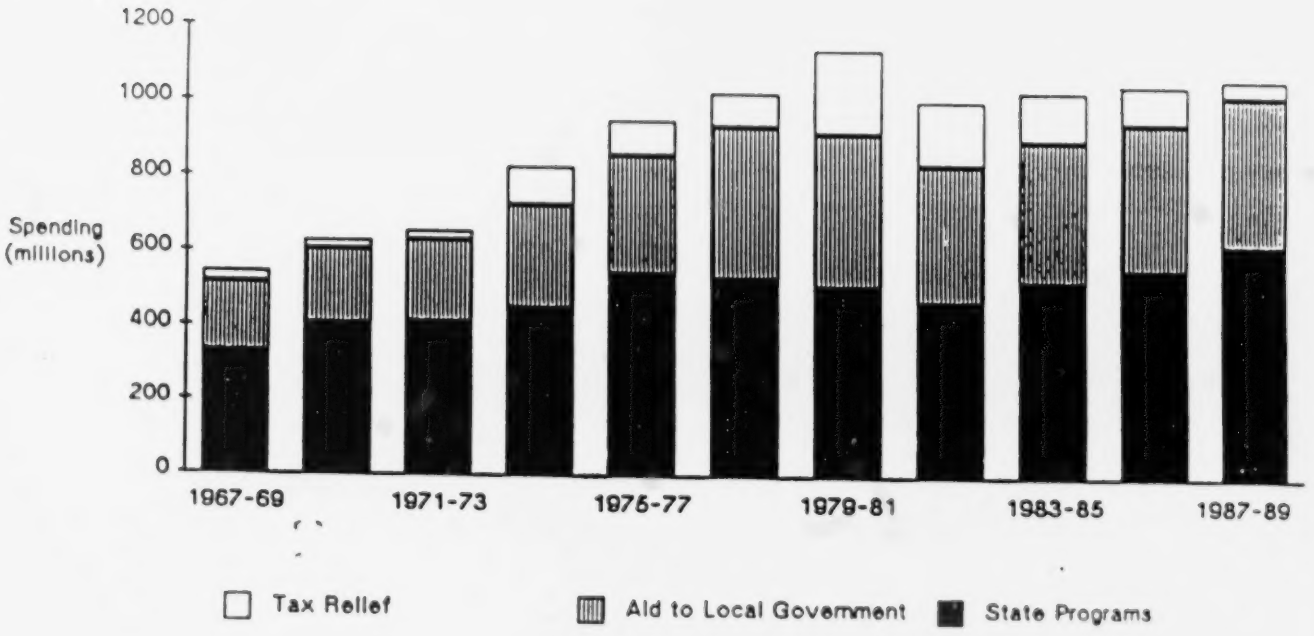
PTR = Property Tax Relief, for property owners
HARRP = Property Tax Relief, for renters

Source: Oregon Legislative Revenue Office

FIGURE 3

State General Fund Spending Adjusted for Inflation

1967-1989*



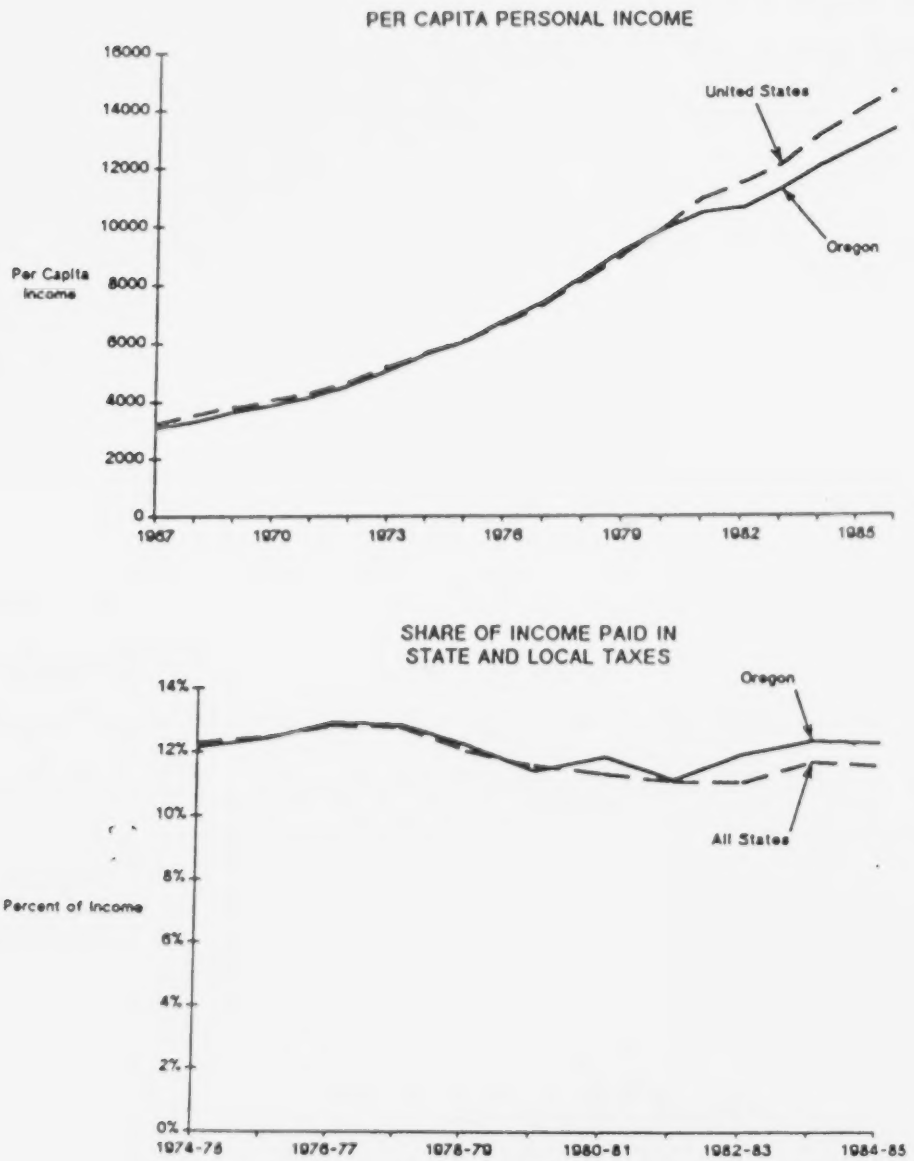
*1987-1989 estimated

Source: Oregon Legislative Revenue Office

Oregonians have demonstrated a willingness to finance public elementary and secondary education, evidenced by above average per pupil expenditures and teacher salaries. However, taxpayer discontent has grown with the increasing local share shouldered since 1980. Calls for a greater state share in financing education necessitate exploration of revenue enhancement schemes with the most common being increases in personal income taxes and enactment of a state sales tax. Examination of per capita income and taxes paid reveal that even in the absence of a sales tax, citizens pay a larger than average share of their income in state and local taxes when compared with the U.S. average. (See Figure 4.) A second measure, total tax capacity and effort, employed by the Advisory Commission on Intergovernmental Relations, shows the state near the national average, indicating that any increase in current taxes or additions of new ones would result in an above average tax burden. (Measuring State fiscal Capacity: Alternative Methods and Their Uses, 1986.)

FIGURE 4

Per Capita Personal Income and Share of Income Paid State and Local Taxes



Source: Oregon Legislative Revenue Office

Current Reform Proposals

Two school finance reform proposals are currently being circulated in Oregon, one developed by the Oregon Education Association (OEA), distributed in October of 1987 to legislative leaders in the form of a "Legislative Memo," and the second, titled, Education in Oregon: The Business View (1988), by the Association of Oregon Industries (AOI). The latter is intended for a wider audience, although both are designed primarily for dissemination to policymakers in school finance. This section serves as a comparison and critique of the two proposals.

According to the AOI proposal, lack of fiscal support of schools can be traced, in large part, to the perception of a "quality" problem, based on a 1986 survey of AOI membership. The following quote captures this sentiment, "Some of the problems in school system funding can be assigned to this perception of needed quality improvement." (p. 6) Those quality issues are directly related to achievement test scores: "If educational quality can be further improved to build on recent gains [in SAT scores], we believe public support for primary/secondary education will improve." (p.6) Although SAT scores have risen slightly over the past few years and Oregon ranks second nationwide in terms of these scores, the writers point out that they are still far below those of the 1960's and hence unacceptably low.

Quality and efficiency represent key concepts in this reform proposal that never really lives up to the quote used at the opening of this paper that leaves the impression fiscal equity issues will be addressed. The costs, direct and indirect, of implementing quality and efficiency proposals, such as upgrading teacher professionalism and conversion from nine month to year-round schools, are left unaddressed in the report, leaving the reader with the assumption that such proposals can be implemented without any outlay of school district resources.

More straightforward in nature is the OEA reform proposal that focuses on dollars and cents issues. In addition to state level fiscal reform, the writer also examines means of garnering more federal and intermediate level moneys for local school districts. Recommendations range from quite specific and operational, such as indexing the approved program cost level (in Oregon, similar to a foundation level) to the yearly increase in personal income rather than the Consumer Price Index, to broad policy initiatives, such as reexamining and reevaluating present structures of tax revenues derived from natural resources.

Tax reform, not only of the local property tax but other existing taxes, such as those on natural resources, and recommendation of new taxes or increased rates at the state level in order to shore up the basic aid portion of the school finance formula comprises the key component of

this proposal, with the bottom line being more money for schools. The bulk of new dollars are seen coming from the state level, but no potential revenue stone is left unturned. For example, counties in Oregon currently receive federal timber tax revenues, with seventy-five percent remaining at the county level and twenty-five percent being distributed to schools within the particular county. Calling for an even fifty/fifty split, the OEA proposal offers no rationale and no plan for how counties will make up the loss in revenues. Unlike the AOI proposal, quality education is mentioned once, and only in reference to its being equated with dollars spent.

In spite of vast philosophical differences toward and approaches to school finance reform, both proposals found themselves in agreement on increasing the state share of financing from the present thirty percent to forty percent, bringing Oregon more in line with the national average. (Significant Features of Fiscal Federalism, 1987) First, both agreed, education funding needed to be shifted to top priority in the state's biennial budgeting process. From this point, however, the methods of achieving this increase, diverged. The AOI report proposed an employer reduction to the Public Employment Retirement System (PERS) and a vehicle registration tax indexed to the actual value of the vehicle, with the proceeds earmarked for education. On the other hand, OEA proposed a repeal of the current state expenditure

limitation that curbs expansion of the state budget beyond the rate of growth of personal income in the state. In addition, OEA advocated repeal of what is popularly termed the "two percent kicker," a constitutional provision that returns excess revenues to individual taxpayers in the form of a tax credit when they exceed estimates by greater than two percent.

Both proposals fall short of any lasting reform for Oregon school finance. In times of economic well-being, the OEA proposal may provide a windfall for schools; in times of economic recession, of which the last one of the early 1980's was instrumental in focusing attention on school finance reform, it offers no protection against a decreased state share. With regard to the AOI proposal, earmarking certain taxes for educational use leaves education at the mercy of the ebb and flow of that particular revenue source, which in reality is not a major revenue source. Also, reduction of employer contributions to PERS is, at best, a short-term solution, due to the current good health of the PERS investment portfolio.

Overall weaknesses of both proposals lie in their failure to address equity issues across school districts and deficiencies in the current school finance formula that exacerbate them. As the AOI report claimed, adequate resources exist; distribution is the overriding problem. It is unfortunate the writers did not pursue this statement to

develop potential solutions. The OEA proposal, on the other hand, is simply a proposal for enhancing school district revenues with no consideration or analysis of their present level of organizational and operating efficiency or the quality of their product. Neither proposal appears likely to capture broad-based support outside their respective constituencies necessary for effecting reform.

Conclusions and Policy Implication

Is there a crisis in Oregon school finance? This paper has sought to begin the process of assessing and defining the current problems facing the funding of schools in Oregon, setting the discussion within the historical context of Oregon as a nonreform state. In order to accomplish this, past and present reform efforts were examined including grass roots efforts as well as the current school finance formula, analysis of funding issues and an evaluation of current reform proposals that look at educational finance reform from very different perspectives.

Reform efforts in Oregon over the past twenty years have primarily taken the form of voter initiated property tax limitation measures that were defeated at the ballot box. There exists no doubt that the property tax, one of the oldest taxes in the history of the United States, is also one of the least popular. In an ideal world where taxation is based principally on the ability to pay

principle and taxation of total wealth, a net worth tax with income being defined comprehensively to include all possible types of wealth would be utilized, and separate taxes on income, property, and other types of wealth would be obsolete.

However, acknowledging the limitations of the real world and the long tradition of certain patterns of taxation in this country, it is highly likely that the property tax will retain its importance as a source of revenue for local governments, including schools.

Given a reasonably balanced tax system that incudes separate taxes on income and property, real and tangible, the local property tax can serve as a rough approximation of ability to pay. (Musgrave and Musgrave, 1984) More serious inefficiencies and inequities often arise from the actual administration of the tax where interjurisdictional differences in assessment practices, intentional and unintentional, may distort its yield. Oregon's system of state-mandated sexennial reappraisals of real property fall within the scope of the last statement. According to information from the state department of revenue, at present most counties are behind in their reappraisal schedules to the point that in some counties the majority of parcels are not current.

Any attempt to answer the opening question at this point would be premature as more systematic and quantitative

analysis of the fiscal impact of the present funding system is needed. In terms of taxation, it is clear state policymakers face a dilemma in their attempts to increase the state's share in funding education while providing property tax relief. Citizens already shoulder an above average total tax burden without the addition of a sales tax or increase in income tax rates. The state's tax capacity is below the national average while tax effort is slightly above. Hence shifting the burden of taxation so that it is distributed in more equitable fashion between property and income taxpayers would seem to be the policy goal that must be achieved while implementing a more equitable distribution of state education grants.

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